

Summary

3. The outlook for the global economy has worsened considerably in recent months. Risks and uncertainties are increasing, after the encouraging signals of recovery seen at the end of 2010. Global activity is slowing down, economic performance continues to be uneven across countries, debt levels and financial volatility are rising, high unemployment levels persist in many countries, and confidence has recently fallen sharply. These risks are aggravated by perceptions in markets that governments' responses to these challenges have so far been inadequate.

4. World trade has grown more slowly than expected in recent months. Developed economies have been hit by a number of problems ranging from shrinking global demand, to the impact of natural disasters, to issues related to national budgets, credit conditions, and the sovereign debt crisis. Trade growth in developing countries has also been adversely affected by global developments, including signs of overheating in some major emerging markets. In light of the deteriorating economic situation, the forecast for world export growth in 2011 was revised to 5.8%, down from the earlier estimate of 6.5%. Developed economies' exports are expected to rise by 3.7% and those from developing countries by 8.5%.

5. The economic recovery has so far not been strong enough to reduce significantly high levels of unemployment in many countries. According to the ILO, based on current trends, employment is not projected to return to its 2008 level before 2015 in high-income economies. The number of unemployed stood at 205 million in 2010, essentially unchanged from the year earlier, with little hope of this figure reverting to pre-crisis levels in the near term.⁵ The ILO warned recently of a "dramatic downturn" in employment over the coming months unless governments act to soften the effect of the economic slowdown on labour markets.⁶

6. The TPRB monitoring exercise and individual Trade Policy Reviews undertaken in 2011 show that on the whole governments have largely continued to resist protectionist pressures, although an upward trend was observed this year in the imposition of new trade restrictions. During the period under review, 339 new trade restrictive measures (and those that have the potential to restrict or distort trade) were recorded, which is 53% more than in the previous period. In particular, the number of new export restrictions has increased sharply; although accounting for only 19% of total restrictions during the monitoring period, export measures were the fastest-growing component.

7. Moreover, there is a growing perception that trade protectionism is gaining ground in some parts of the world as a political reaction to current local economic difficulties – difficulties that trade restrictions are very poorly equipped to resolve. There are various signs of a revival in the use of industrial policy to promote national champions and of import substitution measures to back up that policy. Unilateral actions to shield domestic industries, although appealing from a narrow short-term perspective, will not solve global problems; on the contrary, they may make things worse by triggering a spiral of tit-for-tat reactions in which every country will lose. These developments are adding to the downside risks to the global economy.

8. Nonetheless, new restrictive measures introduced in the period between mid-October 2010 and mid-October 2011 cover around 0.9% of world imports, down from 1.2% recorded in the previous twelve-month period.⁷

⁵ ILO, Global Employment Trends 2011, *The Challenge of a Jobs Recovery*, 1 January 2011.

⁶ World of Work Report 2011: Making Markets Work for Jobs, 31 October 2011.

⁷ The apparent contradiction between the higher number of restrictive measures and their lower trade coverage may be explained by a number of factors such as the provision by delegations of more detailed HS

9. Some countries have also adopted measures to facilitate trade, especially by reducing or temporarily exempting import tariffs, terminating trade remedies actions, and streamlining customs procedures. Trade facilitating measures implemented during this period account for 48% of the total number of measures recorded in Annex 1.

10. The sectors most affected by new trade restrictive measures are: base metals and products (iron and steel); machinery and mechanical appliances; organic chemicals; meat products; plastic and articles; transport equipment (motor vehicles); and cereals. Most of these sectors were already relatively heavily protected before the global crisis.

11. In the area of trade in services, Members are maintaining the general thrust of their policies and levels of market openness. Save for a few instances in which the original restrictive effect of policies has been attenuated and work-permit requirements for certain categories of workers have been removed by a few countries, restrictive measures introduced in the last couple of years are still in place.

12. Regional Trade Agreements (RTA) activity continues to be strong. As of end-October 2011, 390 RTAs had been notified to the WTO, of which 211 are in force. The Secretariat estimates that there are around other 100 agreements in force which have not yet been notified to the WTO. The majority of RTA notifications during this period involved one or more partners in the Asian region. Asia, Europe, and Latin America appear to be relatively more active than other regions in respect of agreements that have recently entered into force.

13. The Transparency Mechanism for RTAs, which has been operating provisionally since 14 December 2006, continues to provide information and analysis of agreements that have been notified to the WTO. During the period October 2010 to October 2011, 14 factual presentations of RTAs were distributed by the WTO Secretariat. While good progress continues to be made in expanding the understanding of RTAs, there remain serious gaps, notably in the number of RTAs that have not been notified to the Secretariat yet continue to be implemented by their parties. Most recent RTAs cover goods, services, investment and other provisions such as intellectual property rights, trade facilitation, government procurement and competition, suggesting that they are becoming deeper and tackling measures that would normally be considered as being "behind the border". In most cases, RTAs tend to go beyond WTO commitments although the degree of liberalization in goods and services, and sometimes between sub-sectors, varies considerably.

14. The WTO notification activities underwrite the implementation, administration, and operation of WTO Agreements and increase the Organization's institutional effectiveness. In all areas more can be done. In some areas, it is not an exaggeration to say that the gaps that exist in the WTO's knowledge about its Members' trade policies and practices are still so serious that they undermine the value of the individual WTO Agreements. Most of those gaps are related to poor compliance with formal notification requirements. In some cases, correcting this is a matter of intensifying existing work programmes in the specialized Committees and Councils to eliminate backlogs and stay on top of the flow of new trade policy data and information. In other cases, however, additional efforts are needed from Members to meet their notification obligations and to report regularly on their trade policies and practices if they are to achieve the fullest possible degree of transparency. More can be done to make active use of the trade policy information available from monitoring and surveillance activities. More can be done also to respond to requests from developing countries, in particular the LDCs, for assistance in managing information on their trade policies and reporting on it to the WTO. Assistance in this area has been included as a priority in the Biennial Technical Assistance and Training Plan 2012 - 2013.

codes of the measures included, and that the measures in the previous report covered highly-traded sectors in large trading partners.

15. The multilateral trading system has been instrumental in maintaining trade openness during the global financial and economic crisis. WTO Members need to preserve and strengthen this system so that it keeps performing this vital function in the future. The best way to further open trade in a global, predictable and transparent manner remains the multilateral route. The multilateral trading system has helped countries navigate the crisis so far and resist protectionism. In a context of greater economic uncertainty and rising global risks, it is all the more important that the process of global trade opening continues; not only by WTO Members showing pragmatism and determination to find a way out of the current impasse in the Doha Round, but also through accession to the WTO of the Russian Federation, Samoa, Vanuatu, and other acceding countries, as well as through the prompt conclusion of the Government Procurement Agreement negotiations. The forthcoming 8th Ministerial Conference provides a possibility to find a way forward.